

**Statement of Michael J. Riley
President**

**MICHAEL J. RILEY
PRESIDENT**

**Motor Transport Association of Connecticut
Before**

**The Joint Committee on Transportation
February 18, 2011**

Re: Proposed Senate Bill No. 31, Proposed House Bills No. 5949, 6136, and 6200 under the Subject Matter **"Tolls"**.

I am Michael J. Riley, President of Motor Transport Association of Connecticut (MTAC), a statewide trade association, which represents around 1,000 companies that operate commercial motor vehicles in and through the state of Connecticut. Our membership includes freight haulers, movers of household goods, construction companies, distributors, tank truck operators and hundreds of companies that use trucks in their businesses and firms that provide goods and services to truck owners.

MTAC OPPOSES THESE BILLS

- **TOLLING OF EXISTING HIGHWAY LANES IS NOT PERMITTED**

Raymond LaHood, the Secretary of the United States Department of Transportation, has announced his opposition to tolling existing interstate highways. While in general a supporter of tolls, Secretary LaHood has said that tolls should only be used to increase capacity or relieve congestion.

Since its creation, the Interstate System has been financed under the philosophy that tax-supported roads are preferable to toll roads, and tolling (other than on Interstate segments that pre-date the establishment of the Interstate System in 1956) is limited to the reconstruction or replacement of Interstate bridges and tunnels.

- **TOLLING OF EXISTING INTERSTATE HIGHWAYS IS SIMPLY WRONG.** Turning highways into cash cows for individual states is unfair to the highway users who have paid for the construction and maintenance of these roads through the payment of fuel taxes. Fuel taxes have been the preferred funding method of the Interstate Highway



System since its establishment in 1956. Subjecting users to additional tolls represents double taxation. Tolling on existing highways is nothing more than an ill-conceived quick fix for transportation funding shortfalls. Often toll revenue doesn't even end up funding highway projects.

- **CONNECTICUT ALREADY HAS HIGH FUEL TAXES AND COLLECTS FROM EVERY LARGE TRUCK THAT COMES HERE**

Passenger car drivers can avoid paying Connecticut's high gas tax (41.6 cents per gallon 10/01/10 and higher now because the Gross Receipts Tax has gone up with the price of gasoline) by purchasing their fuel in other states and using it here.

However, every large truck from other states pays Connecticut the fuel tax on every gallon of fuel which it consumes in our state. Trucks don't pay taxes where they buy fuel . . . trucks pay the taxes in the states where they use the fuel.

At 39.6 cents per gallon, Connecticut now has the highest diesel fuel tax in the country. (See attached comparison).

Connecticut's diesel fuel tax is adjusted annually to reflect the cost of fuel over the previous year. Since the last adjustment, the cost of fuel has increased, and will likely require an increase on July 1, 2011.

Governor Malloy has proposed increasing the diesel tax an additional 2 cents per gallon.

Fuel taxes, registration, license and permit fees, fines and other motor vehicle charges are "user fees" deposited into the Special Transportation Fund (STF).

- **TRUCKERS ALSO PAY HIGHER FEDERAL FUEL TAXES**

Additionally, truckers currently pay a federal diesel fuel tax of 24.4 cents per gallon, a 12% excise tax on new tractors and trailers, an annual vehicle use tax of up to \$550, and a tax on tires. According to the Federal Highway Administration (FHWA), commercial vehicles paid a total of \$14.3 billion in federal highway user taxes, or approximately 40% of all federal highway user fees. Imposing an even greater tax burden through tolls would be both unfair and inequitable. **Tolls are double taxation.**

- **THE GROSS RECEIPTS TAX, A HIGHWAY USER FEE, IS DIVERTED TO THE GENERAL FUND**

Since 2006, Connecticut has diverted almost \$880 million from the Gross Receipts tax, a highway user fee, to the General Fund.
(See attached article *the ct mirror* 2/19/10)

Connecticut diverts revenue generated by the Gross Earnings Tax on Petroleum Products (GET), a tax on the wholesale sale of gasoline and, (until recently) diesel fuel, into the General Fund. This diversion costs the Special Transportation Fund hundreds of millions of dollars of highway user fees which are currently paid into the general revenues of the state and not on transportation spending. Before Connecticut imposes tolls, it should first make sure that all highway user funds are used on transportation.

Governor Malloy has recommended that 70% of GET revenue go to the STF. We believe that All GET revenue generated by fuel sales should be deposited in the STF.

- **THE LEGISLATURE AND ADMINISTRATIONS HAVE A RECORD OF RAIDING FUNDS**

Connecticut has a long history of moving revenue streams back and forth from the General Fund to the Special Transportation Fund. We cannot expect that to change without guaranteeing, through a **constitutional amendment**, if necessary, that funds generated by transportation users are used for transportation.

- **BORDER TOLLS ARE UNFAIR**

If tolls are established, their **burden should be spread across the state** and not be borne disproportionately by citizens who live along the borders with neighboring states.

Additionally, border tolls charge everyone who enters the state the same amount. **People who get off at the first exit in Greenwich, should not pay the same as people who travel I-95 all the way to Rhode Island**

- **IMPOSING TOLLS ON EXISTING LANES OF THE INTERSTATE SYSTEM WOULD HAVE A DEVASTATING EFFECT ON THE TRUCKING INDUSTRY.**

The trucking industry's historical average profit margin is between two and four cents per mile. Financing the Interstate System with tolls would require tolls well above this level. The trucking industry is highly competitive and taxes of this magnitude simply cannot be passed along to shippers.

- **TOLLS WOULD RESULT IN TRAFFIC BEING DIVERTED**

Tolls would create **diversion** to already overburdened local roads.

- **TOLLS WILL INCREASE COST OF DOING BUSINESS**

Tolls would add **to the cost of living** and the cost of doing business in the state.

- **TOLL REVENUE MUST BE DEDICATED**

Tolls should not be enacted without identifying the specific projects for which toll revenue would be spent. Toll revenues should finance improvements in the state's transportation infrastructure. **Tolls imposed upon those improvements should be dedicated to pay off the costs of those improvements**, and then it should be used for maintenance and repair of those improvements. These revenues should not be used for other transportation facilities and absolutely not be diverted to general or other special funds.



**STATE AND PROVINCIAL MOTOR FUEL TAX RATES
FOR HEAVY VEHICLES
October 1, 2010**

<u>State</u>	<u>Tax Rate in ¢/Gallon</u>		<u>Notes</u>
	<u>Gasoline</u>	<u>Diesel</u>	
Alabama	16	19	
Alaska	8	8	
Arizona	21	27	[includes 1¢ clean-up fee, paid at pump only; [1¢ credit on D available by application
Arkansas	21.8	22.8	[includes 0.3¢ clean-up fee paid at pump only
California	45.986	37.3	[includes 3.5% sales tax
Colorado	22	20.5	
Connecticut	41.6	39.6	[incl. 7% wholesale tax, G only, currently 16.6¢
Delaware	23	22	
District of Columbia	23.5	23.5	
Florida	29.57	31.67	[incl. 6% sales tax, unif. local tax, clean-up fees
Georgia	15.3	15.8	[incl. 4% sales tax
Hawaii	16.12	16.12	[includes 0.12 clean-up fee; D plus 4% sales tax [added at pump
Idaho	25	25	
Illinois	32.4	36.1	[includes 6.25% sales tax paid on report; 1.1¢ clean- [up fee paid at pump only
Indiana	29	27	[D includes 11¢ surtax, paid on report only; [G 15¢ at pump but 16¢ on report, plus surtax
Iowa	22	23.5	[includes 1¢ clean-up fee, paid at pump only
Kansas	25	27	[includes 1¢ clean-up fee, paid at pump only
Kentucky	29.9	32.6	[includes 3.9¢ surcharge on G, 9.2¢ on D, [paid on report only; includes 1.4¢ tank fee, [paid at pump only
Louisiana	20	20	
Maine	30.48	31.22	[includes 0.98¢ G and 0.52¢ D clean-up fees, paid [at pump only
Maryland	23.5	24.25	
Massachusetts	21	21	
Michigan	36.327	32.575	[includes 6% sales tax paid on report and 0.875¢ [clean-up fee paid at pump only
Minnesota	27.5	27.5	
Mississippi	18.4	18.4	[includes 0.4¢ clean-up fee paid at pump only
Missouri	17	17	
Montana	27.75	28.5	[includes 0.75¢ clean-up fee paid at pump only
Nebraska	28	27.4	[includes clean-up fees, 0.9¢ G, 0.3¢ D, paid at pump only
Nevada	23.81	27.81	[includes 0.75¢ inspection fee, paid at pump [only, and clean-up fee
New Hampshire	19.625	19.625	[includes 1.625¢ in clean-up fees paid at pump only
New Jersey	14.5	17.5	[includes petroleum tax
New Mexico	18	22	[includes 1¢ load fee paid at pump only
New York	40.25	38.85	[includes 8¢ sales tax, and petroleum tax, paid on report; [clean-up fees of 0.35¢ G and 0.3¢ D, paid at pump only



<u>State</u>	<u>Gasoline</u>	<u>Tax Rate in ¢/Gallon</u>		<u>Notes</u>
		<u>Diesel</u>		
North Carolina	31.9	31.9		
North Dakota	23	23		
Ohio	28	28		
Oklahoma	16	13		
Oregon	24	0		[D taxed through weight-distance tax]
Pennsylvania	31.2	38.1		[includes petroleum tax]
Rhode Island	32	32		
South Carolina	16.75	16.75		[includes 0.75¢ clean-up fees paid at pump only]
South Dakota	24	24		[includes 2¢ distributor tax, paid at pump only]
Tennessee	21.4	18.4		[incl. 0.4¢ clean-up fee and G 1¢ inspection fee, at pump only]
Texas	20	20		
Utah	24.5	24.5		
Vermont	20	29		[includes clean-up fee]
Virginia	21.6	21.6		[includes 3.5¢ surtax, paid on report only; 0.6¢ clean-up fee paid at pump only]
Washington	37.5	37.5		
West Virginia	32.2	32.2		[includes 5% sales tax]
Wisconsin	32.9	32.9		[includes clean-up fee]
Wyoming	14	14		[includes clean-up fee, paid at pump only]
U. S.	18.4	24.4		[includes Underground Storage Tank tax]

G : gasoline D : diesel, special fuels

CANADA

<u>Province</u>	<u>Fuel Tax Rate in ¢CN/Liter</u>		
	<u>Gasoline</u>	<u>Diesel</u>	
Alberta	9	9	
British Columbia	18.95	20.11	[includes a "carbon tax" component]
Manitoba	11.5	11.5	
New Brunswick	10.7	16.9	[prov. sales tax add'l, paid at pump only]
Newfoundland	16.5	16.5	[prov. sales tax add'l, paid at pump only]
Nova Scotia	15.5	15.4	[prov. sales tax add'l, paid at pump only]
Ontario	14.7	14.3	
Prince Edward Island	15.8	20.2	[composite qtrly rate; rate at pump can change monthly]
Quebec	16.2	17.2	[prov. sales tax add'l, paid at pump only]
Saskatchewan	15	15	
Northwest Territories	10.7	9.1	
Yukon Territory	6.2	7.2	

This chart was compiled by the American Trucking Associations. It represents the total state or provincial fuel tax paid by motor carriers in each jurisdiction as of October 1, 2010. Local taxes are not included, except where they are uniform statewide. "Paid at pump only" refers to amounts not included in fuel use taxes paid through IFTA. "Paid on report" or "paid on report only" refers to amounts included in IFTA fuel use taxes.



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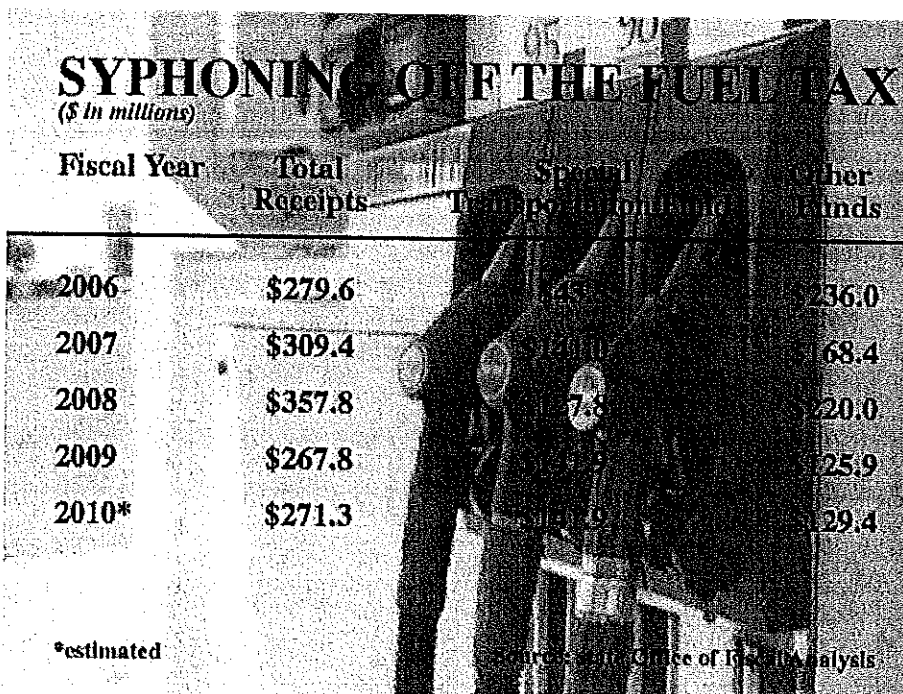
Fuel tax diversion clouds toll debate

Keith M. Phaneuf

February 19, 2010

Along with concerns about technology, traffic jams, enforcement and lost federal grants, a new question is popping up in the debate over whether to restore tolls to Connecticut's highways.

Gubernatorial candidates, legislators and transportation advocates point to a series of controversial fuel tax hikes ordered five years ago, and the hundreds of millions of dollars they since have pumped into programs that have nothing to do with transportation. If tolls are brought back, they ask, how do you stop the state from raiding this new source of revenue?



"Before any of these candidates can talk about tolls, they have to restore the public's confidence," Donald J. Shubert, spokesman for Keep CT Moving, said. "They have to find a way to protect the system - from themselves."

"We just can't hope that federal fairy godmother will drop \$1 billion here and there" to repair Connecticut's clogged transportation network," Republican gubernatorial

candidate Oz Griebel said. "Let's be honest. If you are serious about expanding our transportation system's capacity you're looking at raising more money here. The most important thing we can do is find a way to

guarantee that the money we raise is going to into the infrastructure."

Griebel, former president of the Greater Hartford Metro Alliance and chairman of Connecticut's Transportation Strategy Board between 2001 and 2005, echoed many of the other gubernatorial contenders in a willingness to consider electronic tolling to fund an upgraded transportation network needed to spur economic growth.

Those improvements, Griebel said, will require billions of dollars more than Connecticut is poised to raise over the next decade. An August 2008 report from the state Department of Transportation projected a \$3.1 billion gap between the funding needed to complete planned projects through 2017, and the revenues likely to be available to support them.

That gap stems in part from how Gov. M. Jodi Rell and the state legislature have used taxes intended to support the Special Transportation Fund, a \$1.1 billion component in this fiscal year's \$18.64 billion state budget, and the primary source of revenue for highway and bridge construction.

The 25-cents-per-gallon excise tax levied on retail gasoline purchases has raised just under \$490 million per year, on average, since 2005, and all of that revenue has been dedicated to transportation, according to the legislature's nonpartisan Office of Fiscal Analysis.

But the lesser-known Petroleum Products Gross Receipts Tax, levied against wholesale gasoline and other fuel transactions, generated an average of \$300 million a year between 2006 and 2009, and more than 60 percent of that went to non-transportation spending.

The tax is projected to raise \$271 million in the current fiscal year, and almost \$130 million is earmarked outside the transportation system. Rell's proposed budget revisions for the 2010-11 fiscal year would increase the diversion to nearly \$140 million.

The diversion of the gross receipts revenues makes many leery of adding a new revenue source in the name of transportation.

"Tolls shouldn't even be considered until we have the fortitude to use those monies directly to pay for transportation," former Stamford Mayor Dannel P. Malloy, a Democrat who is exploring a gubernatorial bid, said, adding that while he has reservations about tolls, "if we get our house in order, then it goes on the table" for consideration.

Shubert, whose coalition includes 36 labor and industry organizations, state Connecticut motorists may not realize state government reaped a windfall a few years ago from the post-Hurricane Katrina spike in fuel prices and missed the opportunity to use that money for transportation. But they do remember, he added, that two summers ago they paid steep gasoline prices driven upward by about 50 cents per gallon in state fuel taxes.

Rell's 2006 running mate, Lt. Gov. Michael Fedele, who is seeking the Republican gubernatorial nomination this time around, said he understands the frustration over the transportation revenue raids. "You have to lead by example," he said, adding that as governor he would be "open to discussion" about tolls, and would resist any effort to divert receipts away from transportation.

Even without concerns about diversion of revenue away from transportation, reinstating tolls is an iffy proposition, at least for this session. Rep. Tony Guerrero, D-Rocky Hill, co-chairman of the legislature's Transportation Committee, said he expects two pending toll bills will be debated, but he's not sure the issue will be resolved his year.

Rell has said she fears that electronic tolling systems don't resolve the challenge of collecting fees from delinquent motorists who live out of state. "In addition, the current legislative proposals to put tolls on the Connecticut state borders would be very unfair to those who live in and around those border towns as well as to those who commute to work every day," Rell's press office wrote in a statement Thursday.

Still, Guerrero said 2010 may well feature the first major floor debate on tolls in more than two decades, and mistakes about recent tax policy will be a big part of it.

"I think a lot of people are seriously looking at tolls in a very different light than they were even five years ago," he said. "They don't have a problem with them. But they want to see some kind of lock-box to protect the money."

"My whole idea is for us to have a system so that people who are crossing through the state, who don't buy any gas here or even spend a dime, have to contribute to fix the highway system," said Rep. Demetrios Giannaros, D-Farmington, who is sponsoring a measure to add tolls to highways near the New York border. "We can't use it for other things."

But is it possible to craft a transportation fund piggy bank that future governors and legislatures can't tap for other purposes?

Rep. Themis Klarides of Derby, the second-highest ranking Republican in the House of Representatives, said she would love to see it done, but isn't holding her breath. After the fuel tax was raised from 5 to 7 percent over three years, minority Republicans in the House and Senate pushed successfully for a special session in June 2008 that canceled a fourth scheduled increase, arguing too much funding already had been diverted away from highway projects.

Minnesota voters amended their constitution in 1928 to dedicate two-thirds of revenue generated by a motor fuel tax into a highway fund and one-third into a bridge fund. Griebel said his campaign would research that amendment, though it is too soon to say whether a similar provision would be effective in Connecticut.

The legislature approved the elimination of remaining toll stations in Connecticut between 1983 and 1986. That included eight stations spread across Interstates 95 and 395 between Greenwich and Plainfield, on three Hartford-area bridges and on the Merritt and Wilbur Cross parkways. The last Connecticut toll was paid in April 28, 1989 on the Charter Oak Bridge in Hartford.

State Budget

Source URL: <http://www.ctmirror.org/story/fuel-tax-diversion-clouds-toll-debate>

Tolls

- Must add capacity and address congestion and not just generate revenue.
- Tolls should not be instituted on existing highways.
- Must provide the opportunity to pay electronically, through the use of transponders and provide discounts to electronic payers.
- Must be fairly priced, compared to other tolled facilities in the Northeast and not disproportionately burden one type of vehicle over others.
- Must be fairly applied, in relation to the distances traveled. Someone who gets off at Exit 1, should pay less than someone who travels through the entire state.
- Tolling revenue must be dedicated to the tolled facility and protected by a constitutional amendment.
- Must not be located only on the borders. The burden of paying tolls must be spread geographically throughout the state.
- Tolls revenue must be used to improve and expand the number of safe rest areas for truckers.
- Truck inspection facilities constructed on tolled infrastructure must be equipped with electronic pre-clearance capability.
- The use of toll roads must be optional.